

A Brief Look at the Municipal Employees' Retirement System of Michigan ...

In 1945, the Legislature established MERS as the first statewide voluntary municipal pool. MERS has now grown to over 700 Michigan municipalities covering almost 75,000 participant employees in about a thousand benefit programs described below. Total trust assets exceed \$6 billion. As the pioneer Michigan pool, MERS has an ever-expanding array of programs to help municipalities save money. MERS separated from State Government in 1996: municipalities (not the State) fund MERS, which is a statutory public non-profit corporation -- an instrumentality of all its participating municipalities and courts. MERS is a governmental pension plan, determined by Internal Revenue Service to be a tax-qualified pension trust under section 401(a) of the Code, and tax exempt under section 501(a).

MERS Defined Benefits Program (since 1946). In exchange for years of service, retirees (21,000 currently) receive a fixed lifetime monthly benefit. MERS pools municipal assets for investment purposes only to provide cost effective and professional investment management. The portfolio is broadly diversified by asset classes and geography.

MERS Defined Contributions Program (since 1997). Provides individual accounts with benefits dependent on employer/employee contributions and the investment decisions made by the individual.

MERS Investment Services Program (ISP) (since 2006). Allows municipalities to pool funds in the MERS DB portfolio, while maintaining local administrative functions. Asset pooling reduces costs and increases investment potential, by expanding and enhancing the investment horizon as a result of volume, lower costs and long term growth focus.

MERS Group Life & Dis. Ins. Program (since 2003). Offers Accidental Death and Dismemberment (AD&D); Additional Life with AD&D; Dependent Life; Short, and Long Term, Disability.

Health Care Savings Program (HCSP) (since 2004). This program is an employer-sponsored savings account to help employees accumulate money tax-free in individual accounts to cover the of post-employment health care. Upon leaving employment, the account balance is available for tax-free reimbursement of medically related expenses, including health insurance premiums for the employee and eligible dependents. The contributions are invested in the MERS Total Market Fund portfolio.

Retiree Health Funding Vehicle (RHFV) (since 2004). MERS developed this trust to help municipalities save and grow assets within the MERS Total Market Portfolio to offset future retiree healthcare (OPEB) liabilities. This program allows the employer to receive Actuarial Healthcare Valuations at discount. These Valuations will identify the municipality's retiree healthcare liability, to be first reported by governments in FY 2007 per Governmental Accounting Standards Board (GASB) OPEB requirements. Governments may fund their MERS Retiree Health Funding Vehicle account on a cash or actuarial basis. The participating employer solely determines the contribution structure.

Premier Health (since 2005). MERS Premier Health is a comprehensive full health plan for active and retired employees, leveraging MERS' expertise and municipalities' buying power. It is the first municipal health pool in Michigan created under MCL 124.5(2) and licensed by OFIS. Premier Health is governed by the participating employers in the health program, who elect the Board of Trustees. While integrally connected to MERS, Premier Health is a public, non-profit health trust separate from MERS. Premier Health was specifically designed to meet the unique needs of public employers and employees in Michigan.

